IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

Appeal No.	:	2006-2896
Applicants	:	Kevin FOLEY & Kim BANG
Application Serial No.	:	09/412,408
Filing Date	:	October 5, 1999
Title	:	ELECTRONIC TRADING SYSTEM SUPPORTING ANONYMOUS NEGOTIATION AND INDICATORS OF INTEREST
Examiner	:	CALVIN LOYD HEWITT II
Group Art Unit	:	3621

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REQUEST FOR REHEARING PURSUANT TO 37 C.F.R. § 41.52

Applicants respectfully request, pursuant to 37 C.F.R. § 41.52, rehearing following the Board's decision dated February 9, 2007 ("Decision") sustaining the rejections of claims 1-29. The bases for this request, which involve points believed misapprehended and overlooked by the Board, are summarized and then discussed in more detail below.

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SUMMARY

Claims 1-15

Silverman et al. is the primary reference in the rejections of claims 1-15. (1) It is believed that the Board misapprehended the teachings of Silverman et al. and as a result misapplied the law on obviousness. (2) The record does not support, and the Board made no factual or legal findings to support, its conclusion, raised for the first time in the Board's decision, that:

> A person of ordinary skill in the art [one having "computer system design and coding experience, plus sufficient knowledge of actual environments in which the system is to execute (Decision, Pg. 14)] would have been [sic] immediately envisaged the simple sets of two criteria, i.e., two sides of the transaction and two choices as to whether to execute the better price function, as creating four members of a set of outcomes *vz.* execution for both sides, sell side, buy side, and neither side. Decision, pg. 15.

Claims 16-29

With respect to claims 16-29, it is believed that the Board overlooked a claim limitation and misapprehended the meaning of "automatic." As a result, it is believed that the Board erroneously interpreted the limitation of the at least one computer programmed "to automatically match orders entered …by users and automatically execute trades of matched orders" to permit negotiation as described in Silverman et al.

DISCUSSION

Claims 1-15

Silverman et al.

Applicants argued in the Appeal Brief with respect to claim 1:

> Silverman *et al.* teaches that there must be some negotiation between counterparties before a transaction can be completed. Silverman *et al.* does not disclose or suggest how negotiation

> would take place between a user of the Silverman *et al.* system and a non-user, i.e., a party who has not entered orders and ***transaction parameters*** into the Silverman *et al.* system. In fact, a trade proceeding to completion without negotiation between prospective parties to the trade, as is possible in the method claimed in claim 1, runs ***counter*** to the negotiated matching system disclosed in Silverman *et al.* (Emphasis supplied.)

Although the Board recognized that Silverman et al. does not provide for trading between a user and a non-user, it is believed that the Board misconstrued Applicants' arguments. The Board stated:

> As to the appellant's argument that Silvers does not disclose or suggest how negotiation would take place between a user of the Silverman et al. system and a non-user, this is not in claim 1. Claim 1 claims a negotiation between "the first party and a counterparty electronically agreeing to trade." Therefore, both parties are users. The apparent thrust of appellant's argument is that Silverman does not disclose completing a trade with a non-user. The Examiner agrees and applies Tilfors for this portion of the claimed subject matter. Decision pg 7-8.

The Board failed to appreciate that if the Silverman et al. system were extended, based on Tilfors et al., to permit a trade with a non-user, then Silverman et al. would permit trades with parties that have not entered transaction parameters, e.g., prequalifications or rankings, which would then destroy the premise upon which the Silverman et al. system operates. Silverman et al. describes that all users must enter ranking and other transaction parameters, and the system filters potential transactions for matching based, not only on transaction terms, but also on other transaction parameters, namely the rankings. Allowing a trade to automatically execute outside the Silverman et al. system allows a trade between a system user who has entered rankings and a party who has not been prequalified or ranked for matching. This deprives a Silverman et al. system user of the limitation to trade only with parties that have been prequalified - a central feature of Silverman et al. For example, the price term given by a Silverman et al. system user for an order may apply only to other prequalified prospective counterparties within the

Silverman et al. system, based for example on the financial strength or stability of the prospective counterparty, where such price term would not extend to other parties.

It was in that context that Applicants argued in their brief (and during prosecution) that "Silverman *et al.* does not disclose or suggest how negotiation would take place between a user of the Silverman *et al.* system and a non-user, i.e., ***a party who has not entered orders and transaction parameters*** into the Silverman *et al.* system. In fact, a trade proceeding to completion without negotiation between prospective parties to the trade, as is possible in the method claimed in claim 1, ***runs counter*** to the negotiated matching system disclosed in Silverman *et al.*" (Emphasis supplied.)

Here, the teachings of the prior art conflict – the negotiated matching only with prequalified parties of Silverman et al. and the automated execution without negotiation between in-system and out-of-system, not prequalified parties of Tilfors et al. The only motivation given by the Examiner, and acknowledged by the Board, is that parties want the best price available (Decision, pg 8-9). *See MPEP ¶ 2143.01 II.*

Also, the proposed combination of Tilfors et al. with Silverman et al. would render Silverman at al. unsatisfactory for its intended purpose – a negotiated only system, where traders trade only with parties that satisfy ranking transaction parameters. *See MPEP ¶ ¶ 2143.01V and VI.*

It is believed that the Board misapprehended the foregoing, which it is believed was material in the divided Board's conclusion on obviousness and its affirmance of the rejection of claims 1-15.

The Board's unsupported conclusion regarding one of skill in the art

There is no foundation whatsoever in the record of how software and computer systems are developed, and there is no support for the Board's conclusion that one of ordinary skill in the art would "immediately [envisage] the simple sets of two criteria, i.e., two sides of the transaction and two choices as to whether to execute the better price function, as creating four members of a set of outcomes *viz.* execution for both sides, sell side, buy side, and neither side."

Applicants disagree with this conclusion and request rehearing because, among other things, the Board's divided decision that the invention of claims 1-15 is obvious is based on this conclusion. For example, the claimed functionality relates to business methods. Thus, at least the following questions, which impact on input by system designers and coders, arise:

- How are computer system and software specifications for computer implemented trading systems developed?
- In developing such system and software specifications, what discretion do system designers and coders have to consider ***possible*** future functionality, and what part do present business objectives, costs, resources and deadlines play?
- In developing a trading system in which an objective is to provide the best price to investors *vis-à-vis* market makers, would system designers and coders be motivated to also design a system which would provide market makers with the best price on a possible trade with, e.g., another market maker, particularly in view of the previous question?

As mentioned above, Silverman et al. is the primary reference in the rejection of claims 1-15. Therefore, the following additional question arises:

- In developing such system and software specifications for a negotiation only system (Silverman et al.), what discretion would system designers and coders have to also design in the capability for a non-negotiated trading system to also have the capability to match and execute non-negotiated trades outside the negotiated trading system, again given constraints such as business objectives, costs, resources and deadlines?

It is believed that the Board did not consider any of the foregoing factual factors, which it is submitted impact on what a systems or software designer foresees or does not foresee, or consider or does not consider.

In addition, although the Board did not so state, it is believed that the gist of its position regarding a person of ordinary skill in the art, is not only what such a person would reasonably foresee, but also that the claimed invention is within the capabilities of such a person and that it would be possible to combine Silverman et al. and Tilfors et al. To the extent that these entered into the Board's reasoning, they should not be considered as grounds for obviousness. *See MPEP* ¶ ¶ 2143.01 IV and III respectively.

Rehearing should be granted with respect to claims 1-15 because it is believed the all of the above impacted the divided Board's decision of obviousness.

Claims 16-29

As pointed out in the summary above, Applicants submit that the Board attributed a meaning to "automatic" which resulted in the erroneous interpretation of the limitation in claim 16 of the at least one computer programmed "to automatically match orders entered …by users and automatically execute trades of matched orders" to permit negotiation as described in Silverman et al.

Claim 16 is in Jepson form. The preamble claims an electronic trading system comprising at least one computer with associated computer memory and a plurality of user stations coupled thereto via a communications network. The preamble goes on to claim that the at least one computer is programmed to automatically match orders entered into the user stations by users ***and*** to automatically execute trades of matched orders.

The improvement part of the claim provides, among other things, that the at least one computer (previously claimed in the preamble) is additionally programmed to transmit an indication of interest (IOI) in a stock for which that user has entered a related order that can be automatically matched and for which a trade can be automatically executed (as previously claimed in the preamble).

The Board found that "'automatically' is a very broad term that only refers to execution itself of a trade in claim 16 as drafted," and that "the word 'automatically' means no more than to apply automatic technique [sic]." It is believed that the Board failed to consider that the preamble of claim 16 claims ***both*** automatic matching ***and*** automatic execution. The improvement in claim 16 includes transmitting an IOI for which an order has been entered that can also be automatically matched and traded. It is believed that the Board failed to consider that *if* the preamble can be read to permit negotiation taking place some time between automatic matching and automatic execution, then the preamble can encompass the improvement of providing an IOI related to an automatically matchable and automatically executable order.

Claim terms are given their ordinary and customary meaning, which is the meaning that the term would have to a person of ordinary skill in the art, based on the language of the claims and the specification. *Philips v. AWH Corp., 415 F 3d* 1303 (Fed. Cir. 2005). Although, during examination, pending claims must be given their broadest reasonable interpretation, this must be done consistent with the specification and consistent with interpretation that those skilled in the art would reach. *Id.; MPEP* ¶ ¶ 2111 and 2111.01 I. Claim 16 relates to a system which can match orders with and without negotiation. The specification is quite clear on this. See, for example, page 5, lines 3-8 and Fig. 3 which shows a seperate IOI server for processing IOIs.

One of ordinary skill in the art would understand that automatic matching of orders and automatic execution of (automatically) matched orders does not permit negotiation.

The Board simply concluded that "automatically" is a very broad term that only refers to execution of a trade in claim16 as drafted, without reference to the fact that the preamble of claim 16 also calls for automatic matching of orders. It is believed that the Board did not consider what one of skill in the art would understand automatic matching of orders and automatic execution of matched orders to mean in view of the claim language and the specification, as instructed by the Federal Circuit in *Philips, supra.*

Applicants request rehearing because they believe that the Board failed to consider the foregoing in its consideration of the meaning of "automatic."

CLOSING

Applicant's submit that rehearing should be granted to address the issues discussed above.

Respectively submitted,

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